

Auto insurers grilled on how rates are decided

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TRENTON — Geico came to the capital Monday, but without the happy, TV gecko smile, encountering tough questioning about whether the auto insurer and others use practices that attract better-educated and better-off customers.

Geico and others in the industry turned out for a hearing by the Senate Commerce Committee, which is exploring how and why insurers decide rates, to see if minorities and other poor might be unfairly labeled higher risks for the companies to cover.

To Geico's vice president and legislative counsel Hank Nayden, committee chairwoman Sen. Nia Gill, D-Essex, said, "I think it is crucial that we know what weight is given by Geico to occupation."

Insurers cannot consider race or income in deciding whether an applicant is a higher risk. But some, and Gill is among them, wonder if asking about education and occupation are not camouflage questions suggesting race and income.

Geico and other companies go before Senate Commerce Committee to see if minorities and other poor people might be unfairly labeled higher risks.

Nayden said Geico weighs between 20 and 30 factors, and all are company secrets, noting the company in 21 months in New Jersey has gone from zero customers to almost a half-million. He said drivers have saved an average \$675 a policy as the company became the state's fourth-largest provider.

But Gill wondered if Geico might weigh some factors over others. "If 95 percent goes to education and occupation, then that cancels out the other 20 to 30," she said.

Nayden said he was not an actuary but would try to reply later to the committee.

Richard Stokes, lobbyist for the Property Casualty Insurers Association of America, with more than 1,000 companies nationwide, said new auto insurers are rushing to attract New Jersey customers at competitive rates, now that the state scrapped many oversight restrictions in 2003.

"Not all companies use the same underwriting and rating tools, and as has been seen today, some companies may actually disagree about what tools to use," Stokes said.

"But we support the right of companies to decide which tools work best for them," Stokes said.

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